

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-053
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor

AUDIT REPORT NUMBER

#09-053

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Kent Ahlswede, President
Board of Directors
Butte County Fair Association
199 East Hazel Street
Gridley, California 95948

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the Butte County Fair, Gridley, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the Butte County Fair Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Butte County Fair Association, Butte County Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Butte County Fair Association has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-053, on the Butte County Fair Association's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the Butte County Fair Association as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

May 15, 2009

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

**STATEMENTS OF FINANCIAL CONDITION
Years Ended December 31, 2008 and 2007**

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash and Cash Equivalents	111-118	\$ 82,772	\$ 101,870
Accounts Receivable, Net	131	38,542	21,230
Deferred Charges	143	288	651
Construction in Progress	190	49,530	49,530
Buildings and Improvements, Net	192	941,812	961,112
Equipment, Net	193	1,419	2,839
TOTAL ASSETS		<u>1,114,363</u>	<u>1,137,230</u>
LIABILITIES AND NET RESOURCES			
Liabilities and Other Credits			
Accounts Payable	212-226	21,105	7,749
Deferred Income	228	2,500	22,910
Guaranteed Deposits	241	3,400	7,200
Compensated Absences Liability	245	8,021	18,160
Miscellaneous Liabilities	252	10,620	9,391
Total Liabilities and Other Credits		<u>45,646</u>	<u>65,410</u>
Net Resources			
Reserve for Junior Livestock Auction	251	4,014	6,944
Net Resources - Operations	291	71,942	51,396
Net Resources - Capital Assets less Related Debts	291.1	992,761	1,013,480
Total Net Resources Available		<u>1,068,717</u>	<u>1,071,820</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 1,114,363</u>	<u>\$ 1,137,230</u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2008 and 2007

	Account Number	2008	2007
REVENUE			
State Allocation	312	\$ 150,000	\$ 150,000
Capital Project Funds	319	-	24,321
Other Funding	340	105,010	20,822
Admissions	410	81,136	85,666
Commercial Space	415	25,225	28,700
Carnival	421	59,800	59,600
Food Concessions	422	39,712	41,339
Exhibits	430	8,700	10,098
Interim Attractions	460	60,822	58,823
Miscellaneous Fair	470	61,893	61,842
JLA - Revenue	476	343,915	304,072
Non-Fair Revenue	480	164,261	175,686
Prior Year Adjustment	490	78	2,125
Other Revenue	495	11,998	10,979
Total Revenue		<u>1,112,550</u>	<u>1,034,074</u>
EXPENSES			
Administration	500	187,130	193,840
Maintenance and Operations	520	286,427	298,594
Publicity	540	28,807	28,832
Attendance	560	48,164	39,811
Miscellaneous Fair	570	35,710	8,130
JLA - Expense	576	346,845	303,321
Premiums	580	13,754	14,619
Exhibits	630	31,110	29,505
Attractions - Fairtime	660	62,873	53,105
Attractions - Interim	670	4,729	4,054
Prior Year Adjustments	800	22,708	329
Cash Over/Short from Ticket Sales	850	27	152
Depreciation	900	43,280	43,283
Millenium Flex Program	945	4,090	22,812
Total Expenses		<u>1,115,653</u>	<u>1,040,387</u>
RESOURCES			
Net Change - Income / (Loss)		(3,103)	(6,314)
Resources Available, January 1		1,071,820	1,078,134
Resources Available, December 31		<u>\$ 1,068,717</u>	<u>\$ 1,071,820</u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (3,103)	\$ (6,314)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(17,312)	(11,889)
(Increase) Decrease in Deferred Charges	362	765
Increase (Decrease) in Accounts Payable	13,355	648
Increase (Decrease) in Deferred Income	(20,410)	(19,031)
Increase (Decrease) in Compensated Absence Liability	(10,139)	(4,841)
Increase (Decrease) in Miscellaneous Liabilities	1,229	8,640
Increase (Decrease) in Guaranteed Deposits	(3,800)	5,100
Total Adjustments	<u>(36,715)</u>	<u>(20,608)</u>
Net Cash Provided (Used) by Operating Activities	<u>(39,818)</u>	<u>(26,922)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Construction in Progress	-	(22,330)
(Increase) Decrease in Buildings & Improvements	19,300	41,864
(Increase) Decrease in Equipment	<u>1,420</u>	<u>1,419</u>
Net Cash Provided (Used) by Investing Activities	<u>20,720</u>	<u>20,953</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(19,098)	(5,969)
Cash at Beginning of Year	101,870	107,839
CASH AT END OF YEAR	<u><u>\$ 82,772</u></u>	<u><u>\$ 101,870</u></u>

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Butte County Fair Association was formed for the purpose of sponsoring, managing, and conducting the Butte County Fair each year in Gridley, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to Butte County Fair. The Butte County Fair is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the Butte County Fair to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by Butte County Fair conforms to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The Butte County Fair's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the Butte County Fair has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do no conflict with or contradict GASB pronouncements.

The Butte County Fair's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in

the year earned rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Butte County Fair is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The Butte County Fair's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the Butte County Fair approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the Butte County Fair is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction in progress, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are capitalized and fully depreciated. Although the Fair leases the land it operates the fair from the County, it has elected to account for amounts spent on buildings and improvements in Account #192, Building and Improvements, rather than Account #194, Leasehold Improvements, due to Government Code Section 25092 which requires the Fair to separately account for and identify amounts spent on

such improvements. Such amounts would be returned to the State if the County elects to use the land for other purposes. These improvements are depreciated over a period of 30 years. Amounts spent on the purchases of equipment are depreciated over five years. Amounts spent on repair and maintenance costs are expensed as incurred by the Fair. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the useful lives identified above. No depreciation is recorded on construction in progress until the project is completed and the asset is placed in service. Amounts spent on projects that have not been placed in service are recorded in Account #190, Construction-in-Progress and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Sales Taxes – The State of California imposes a sales tax of 7.25% on all of the Butte County Fair’s sales of merchandise. The Butte County Fair collects that sales tax from customers and remits the entire amount to the state Board of Equalization. The Butte County Fair’s accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2

LITIGATION

The Butte County Fair Association is subject to various claims and legal actions relating to a range of matters that are incidental to the conduct of its operations, the Butte County Fair Association’s management believes none of which will have a material effect on its financial position or results of operations.

NOTE 3

CASH AND CASH EQUIVALENTS

The following list of cash and cash equivalents were held by the Butte County Fair as of December 31:

	2008	2007
Petty Cash	\$ 100	\$ 100
Cash in Bank - Operating	31,416	51,848
Cash in Bank - Payroll	102	481
Cash in Bank - Premium	116	116
Cash in Bank – County Treasurer	51,038	49,325
	<hr/>	<hr/>
Total Cash and Cash Equivalents	\$ 82,772	\$ 101,670
	<hr/>	<hr/>

NOTE 4 **ACCOUNTS RECEIVABLE**

The Butte County Fair is required to record an allowance for doubtful accounts based on estimates of collectability.

	2008	2007
Accounts Receivable	\$ 38,542	\$ 21,230
Allowance for Doubtful Accounts	-	-
	<hr/>	<hr/>
Accounts Receivable - Net	\$ 38,542	\$ 21,230
	<hr/>	<hr/>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	2008	2007
Building & Improvements	\$ 2,164,968	\$ 2,203,214
Less: Accumulated Depreciation	(1,223,156)	(1,242,102)
Building & Improvements - Net	\$ 941,812	\$ 961,112
	<hr/>	<hr/>
Equipment	\$ 114,230	\$ 114,230
Less: Accumulated Depreciation	(112,811)	(111,391)
Equipment - Net	\$ 1,419	\$ 2,839
	<hr/>	<hr/>

NOTE 6 **RETIREMENT PLAN**

Permanent employees of the Butte County Fair are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the Butte County Fair and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The Butte County Fair's share of retirement

contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The Butte County Fair, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the Butte County Fair participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

**BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Butte County Fair Board of Directors
1	Chief Executive Officer, Butte County Fair
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

MANAGEMENT REPORT #09-053

YEAR ENDED DECEMBER 31, 2008

BUTTE COUNTY FAIR ASSOCIATION
BUTTE COUNTY FAIR
GRIDLEY, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Marinette Babida

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-053

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Mr. Kent Ahlswede, President
Board of Directors
Butte County Fair Association
199 East Hazel Street
Gridley, California 95948

In planning and performing our audit of the financial statements of the, Butte County Fair, Gridley, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Butte County Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the Butte County Fair's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the Butte County Fair's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute, assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur,



will be detected by the Butte County Fair in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The Butte County Fair's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the Butte County Fair's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the Butte County Fair and compliance with state laws and regulations, we identified three areas with reportable conditions that are considered weaknesses in the Fair's operations: courtesy pass distribution, fixed asset capitalization, and accounts payable. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the Butte County Fair's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

COURTESY PASS DISTRIBUTION

The Fair exceeded the maximum allowable rate of courtesy admission passes. The California Food and Agricultural Code Section 3026 states, "The percentage of courtesy pass admissions to any state, county, district, or citrus fruit fair shall not exceed 4 percent of the gross paid admission to the fair in the preceding calendar year." In 2008, courtesy passes exceeded 20.50% of the preceding year's gross paid admissions, well above the 4% limitation. The Fair should place more emphasis on the importance of public perception and public trust when issuing courtesy passes

Recommendation

1. *The Fair should comply with the California Food and Agriculture Code Section 3026 by limiting the courtesy passes it distributes to less than 4% of the previous year's paid admissions.*

CAPITALIZATION OF FIXED ASSETS

The Fair incorrectly capitalized various assets within its general ledger not meeting the asset capitalization criteria specified in the Division of Fairs and Expositions (F&E) Fixed Assets Policy and Procedure Manual. The current requirement is to capitalize only assets valued greater than \$5,000 with a useful life of one year or more. Our office noted 27 items, each with a value less than \$5,000, that were capitalized within the Fair's general ledger. Although the Fair is a 501(c) 3, non-profit organization, the Fair is required to adhere to the asset capitalization criteria of the Division of Fairs and Expositions Fixed Assets Policy and Procedure Manual. According to the agreement between the County Fair and the Department of Food and Agriculture, "Association shall accurately make and keep all records substantially in accordance with the accounting procedures as illustrated in the Fair's Administrative Manual issued by the State Department Food and Agriculture, Division of Fairs and Expositions."

Recommendation

2. *The Fair should comply with the F&E asset capitalization criteria by making the necessary correcting journal entries to ensure the amount capitalized as fixed assets have a value of \$5,000 and a useful life of at least one year. All other items should be expensed in the year they were acquired and be accounted for as non-monetary items.*

ACCOUNTS PAYABLE

We identified "held checks" totaling \$10,270, which were dated December 31, 2008 but were not mailed until January 2009, that understated the Fair's cash position at year-end. The Fair indicated these checks were prepared, recorded in the general ledger and held at

December 31, 2008 for the liabilities due at year-end, but were not released until January 2008 in order to eliminate the need to accrue any accounts payable. As a result, Schedule 2, Schedule of Accounts Payable, of the Statement of Operations (STOP) consists of a zero balance or no outstanding accounts payable. In addition, the Fair reflected the held checks as outstanding checks as of December 31, 2008, instead of restoring them to cash and reclassifying them to Account #212, Accounts Payable. As a result, the Fair understated Account #212 and its cash-on-hand at year-end.

Recommendation

3. *Checks written and recorded in the general ledger at year-end should be mailed on, or before, the balance sheet date. Otherwise, a liability should be established for unpaid obligations at the balance sheet date.*

NON-REPORTABLE CONDITIONS

FOOD AND BEVERAGE EXPENDITURES

The Fair did not specify the names of recipients of the meal, the business purpose of incurring the expenditures, nor did they justify the expenditures by specifying the topics discussed or the benefits expected to accrue to the Fair. This information is required by the Division of Fairs and Expositions accounting procedures manual (APM) to adequately support meals purchased for public relations or promotional purposes during fairtime

Recommendation

The Fair should confirm public relations and promotional expenses incurred by approved staff and members of the Board of Directors by documenting the names of all recipients of the item or benefit and the purpose of the expenditure. A claim must give justification for providing food or a meal by specifying the topics discussed during the event and the necessity of or the benefits expected to accrue to the Fair by entertaining at a restaurant, hospitality booth, or elsewhere.

JUNIOR LIVESTOCK AUCTION

The Fair did not reconcile Account #251, Reserve for Junior Livestock Auction, (JLA) to the corresponding Bank Account #117, Cash - JLA. As a result, these accounts did not agree in the year-end financial statements. According to the APM Section I, 2.37, Auction Account, the balance in the auction account, adjusted for accounts receivable and accounts payable, must equal Account #251, Reserve for JLA. This was a prior year audit finding.

Recommendation

The Fair should comply with the APM and ensure that Account #117, Cash in Bank - JLA, plus any JLA accounts receivable agrees to Account #251, Reserve for JLA, plus any JLA liabilities. Furthermore, this reconciliation should be done on an annual basis prior to the Fair closing its books.

BANK RECONCILIATIONS

An audit of the Fair's bank account reconciliations for all cash accounts identified that the preparer and/or approving officer had not initialed and dated the reconciliation indicating that such reconciliations were performed in a timely manner and that a sufficient review had taken place. According to the Division of Fairs and Expositions APM, all bank accounts should be reconciled within ten days of receiving the related bank statement. Furthermore, those reconciliations should be reviewed, dated, and signed by the Fair CEO or other employee to ensure a sufficient review has taken place.

Recommendation

The Fair should improve their internal controls over cash by ensuring all bank reconciliations are performed within ten days of receiving the related bank account statement. Furthermore, the preparer should sign and date the completed bank reconciliation, while the approving officer, preferably the Fair's CEO, should review these reconciliations for appropriateness.

COUNTY FAIR ASSOCIATION'S RESPONSE



CDFA Audit Office
1220 N Street, Room 344
Sacramento, CA 95814

Dear Ron Shackelford;

We are very pleased that your office could once again conduct our audit. Marinette was very helpful to me, since this was my first audit. She was very patient with us in trying to find what she needed.

As for the reportable conditions; we are taking great steps in correcting the number of courtesy passes that will be issued. We are also taking steps in correcting the asset capitalization by correcting journal entries to comply with F&E asset capitalization criteria. We will also take appropriate steps to make sure we comply with the other issues listed in the report.

The non-reportable conditions have been addressed and rectified.

Again I would like to thank you for your assistance with the audit and doing it early due to the change in administration.

Sincerely,

A handwritten signature in black ink, appearing to read "Tammie McElroy".

Tammie McElroy
Interim CEO



C DFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the Butte County Fair for its review and response. We have reviewed the response and it satisfactorily addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between May 4, 2009 and May 15, 2009. My staff met with management on May 15, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

May 15, 2009

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, Butte County Fair Board of Directors
1	Chief Executive Officer, Butte County Fair
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